

1 Q. When Comcast moved or consolidated the
2 management into Wilmington, was there a cost
3 savings to Ellis Thompson Corporation by this
4 act?

5 A. The projected savings were on the order
6 of \$300,000 per year.

7 Q. Are there expenses that Comcast incurs
8 that benefit both the Wilmington system and the
9 Atlantic City system that you know of?

10 A. Well, I believe there are many expenses
11 that they incur that benefit both systems. In
12 fact, the office consolidation was an economy of
13 scale for both the Atlantic City system and the
14 Wilmington system. So I presume that they
15 achieved some cost savings as a result of that as
16 well.

17 Q. Do you know how they charge Ellis
18 Thompson Corporation for its portion of whatever
19 expenses are incurred if the expense benefits
20 both systems?

21 A. Yes, there is an allocation that's
22 actually attached to amendment number 3. And
23 there are certain expenditures that can be
24 directly allocated to one system versus the
25 other. There are other expenditures that relate

1 to the customer base, such as customer service.
2 And those are allocated based on proportionate
3 number of customers served.

4 There are other expenditures that
5 relate to system usage and those are allocated
6 based on the number of minutes used. And then
7 there are other expenditures that are a
8 combination of subscribers and population base
9 for the two systems.

10 Q. And did Mr. Thompson agree to these
11 methods of allocation?

12 A. Yes, he did.

13 Q. If you'll look back to Exhibit Number
14 6, which was in part the check writing policy
15 statement. Has this policy statement ever been
16 amended?

17 A. Yes, it has been. Recently we amended
18 this policy statement to allow Comcast to write
19 checks that exceed the \$25,000 recurring
20 limitation for agency dealers.

21 Q. Do you know of other amendments?

22 A. I don't believe there have been any
23 other amendments.

24 Q. How was Mr. Thompson involved in the
25 amendment that you just described?

1 A. The proposal came up shortly before our
2 quarterly meeting in December of 1994. And
3 rather than deal with it over the telephone, we
4 put it on the agenda for the meeting. And
5 initially Comcast had proposed just writing these
6 checks by itself because they were recurring
7 items and we were involved in ensuring that
8 safeguards were put in place so that the checks
9 were being written in a proper amount. And those
10 safeguards fell within really two parameters.

11 One was, rather than having the
12 controller or operating people just write checks
13 and pay these bills directly, we required that
14 they immediately -- they create a list of all the
15 checks that they were signing and that they
16 contemporaneously fax that list both to
17 Mr. Thompson and me and to Anna Hillman who was
18 the corporate person in charge of the accounting
19 operations.

20 And secondly, we required that they not
21 only list the checks but that the transmittal
22 letter listing the checks certify to us that they
23 have verified that the amount of the checks are
24 proper, in accordance with the agency contract
25 that they were paying under.

1 Q. The recurring costs would also be part
2 of the capital budget, would they not?

3 A. Recurring costs?

4 Q. Things such as -- by recurring costs,
5 those would be things such as the rent for the
6 lease of cell sites and things like that,
7 correct?

8 A. Right. But they would be part of the
9 operating budget.

10 Q. I'm sorry, operating budget. And
11 Mr. Thompson would also get his chance to approve
12 of those expenses by approving of the operating
13 budget, correct?

14 A. Yes, he would.

15 Q. Are the checks that Mr. Thompson has to
16 sign sent to you or sent to Mr. Thompson
17 directly?

18 A. They're sent to me.

19 Q. How often do you receive checks?

20 A. Probably every week.

21 Q. And approximately how many a week would
22 you say you averaged?

23 A. I would say anywhere from three to a
24 dozen.

25 Q. What type of review is made when you do

1 receive checks?

2 A. The checks arrive with -- each check
3 has a routing sheet to show that it's been routed
4 through the proper departments for approval
5 within Comcast. It also arrives with two
6 signatures by Comcast personnel so we know that
7 the signing -- the authorized signers for Comcast
8 have reviewed it. And it also comes with all the
9 backup detail, invoice or other detail to support
10 the expense and the amount of it and those items
11 are reviewed by Mr. Thompson and he signs the
12 checks.

13 Q. How often does he question an expense?

14 A. I would say that he -- he has been
15 known to question expenses from time to time.
16 Typically they might be an item that appears
17 extraordinary. For example, we had a big
18 Christmas season last year, which something like
19 3,000 or 4,000 new customers came on the system.
20 And there was a check for \$300,000 to purchase
21 cellular phones and it was extraordinary because
22 the amount of that check for cellular phones for
23 one month was out of the ordinary. So he
24 questioned that. And I believe we got somebody
25 from Comcast on the phone and asked well, why did

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1 we spend \$300,000 for cellular phones? Are we
2 building up inventory or what's going on here?
3 And the explanation was well, we had a huge
4 Christmas season and we did build up inventory in
5 anticipation of that season.

6 Q. Does Mr. Thompson keep his own books of
7 expenses for the Atlantic City system separate
8 from any books kept by Comcast?

9 A. I don't believe he does.

10 Q. You stated that Mr. Thompson plays an
11 active role at the quarterly meetings. How so?

12 A. He listens to the discussion and he
13 jumps in and participates in it and renders his
14 decision. Frequently issues arise, he and I will
15 break and discuss them between ourselves in
16 privacy and he will render his decision on
17 various items that come up.

18 Q. To your knowledge, has Mr. Thompson
19 taken any actions to become more knowledgeable
20 about cellular since he became the tentative
21 selectee in the Atlantic City market?

22 A. Yes. He frequently tells me about
23 things that he's read about the cellular
24 industry. I know that recently when this large
25 new capital budget was proposed by Comcast, it

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1 was due to reaching capacity limits for the
2 system and he had read an article about a new
3 technology that might be available to increase
4 capacity. He passed that on to Ray Dumbroski who
5 is the current head of engineering for Comcast.
6 And I know that he and Ray engaged in a
7 discussion about that and Ray actually obtained
8 for him a book regarding cellular technology and
9 gave that to Mr. Thompson.

10 Q. Earlier you discussed the purchase of
11 United States Cellular's reseller clients or
12 customers. What role did you and Mr. Thompson
13 play in those negotiations?

14 A. The initial role was to discuss the
15 prospect of the purchase and whether Mr. Thompson
16 wanted to purchase the customers or not. And
17 then, if so, at what price. He did decide to
18 purchase the customers and gave Comcast personnel
19 an authorized range within which to negotiate a
20 price. That price was negotiated in basic terms
21 and once those basic terms were agreed to, I then
22 negotiated the acquisition documentation with
23 USCC's counsel.

24 Q. So Comcast initially negotiated with
25 USCC counsel?

1 A. I believe that Comcast initially
2 negotiated with the business people at USCC with
3 Mr. Thompson's authorization. And once the
4 business people worked out basic terms, then it
5 was turned over to counsel to document it and I
6 took it from there.

7 Q. Whose idea was it to enter into a
8 license agreement with Cellular One?

9 A. I believe that Comcast discussed with
10 us whether Mr. Thompson desired to enter into the
11 license agreement and whether he desired to do
12 business under this Cellular One name and he
13 agreed to it and then instructed them to contact
14 the Cellular One people to engage in a discussion
15 about obtaining a license.

16 Q. Mr. Thompson, then, made the first
17 contact with Cellular One?

18 A. No, I don't believe so. I believe he
19 told Comcast to contact them on his behalf.

20 Q. Do you know if all other systems that
21 Comcast either owns or manages also have
22 licensing agreements with Cellular One?

23 A. I believe the Philadelphia system still
24 does business under the Metrophone name and does
25 not use the Cellular One name.

1 MR. WEBER: That's all the questions,
2 actually, I have under this topic as well. Is
3 this a good time to take a five-minute break?

4 MR. REIDELER: Yes, I think so.

5 (Recess.)

6 EXAMINATION BY COUNSEL FOR
7 FEDERAL COMMUNICATIONS COMMISSION

8 BY MR. REIDELER:

9 Q. I would like to explore Mr. Thompson's
10 use of the facilities themselves.

11 A. Okay.

12 Q. Mr. Thompson resides in Washington
13 State, is that correct?

14 A. That's correct.

15 Q. Does he come to Atlantic City often?

16 A. He comes to Atlantic City and
17 Philadelphia for his quarterly meetings and he's
18 visited Atlantic City several times.

19 Q. But it's generally the quarterly
20 meeting that brings him to Atlantic City?

21 A. Generally.

22 Q. And the quarterly meetings held at
23 Philadelphia?

24 A. Yes, although some of them were held in
25 Atlantic City, particularly in the early part of

1 system operations and construction.

2 Q. When Mr. Thompson is in Atlantic City,
3 does he spend much time at the cellular
4 facilities there?

5 A. No. We've visited the cellular
6 facilities but there is not much there to spend
7 time on. It's a building with equipment in it
8 and you walk in and look at it and there are
9 lights blinking and you see that it's operating
10 and that's pretty much it.

11 Q. Then I presume that Mr. Thompson
12 doesn't keep an office at Atlantic City?

13 A. No, he does not.

14 Q. Does he have an office at Philadelphia?

15 A. No, he does not.

16 Q. When he's in Atlantic City, is there an
17 office at his disposal?

18 A. There are offices that we use while
19 we're there to confer but there is not an office
20 set aside for him.

21 Q. Now, when he's in Atlantic City, is
22 transportation furnished for him? ..

23 A. Yes.

24 Q. Is this usually a car?

25 A. Yes.

1 Q. And is the vehicle owned or leased by
2 Ellis Thompson Corporation?

3 A. No. Usually use a daily rental
4 vehicle.

5 Q. So it's Mr. Thompson's rental of the
6 vehicle, is that correct?

7 A. Yes, or a hired car.

8 Q. Does Mr. Thompson conduct any business
9 at all in Atlantic City?

10 MR. LARSON: Do you mean pertaining to
11 the cellular system or other than that?

12 MR. REIDELER: Yes, the cellular
13 system. I'm sorry.

14 THE WITNESS: I don't know exactly what
15 you mean by that. He runs the system in Atlantic
16 City so he's conducting that business there but
17 are you saying -- I'm just not clear what the
18 question is or what you're trying to ask.

19 BY MR. REIDELER:

20 Q. When he's in Atlantic City, he's at the
21 facilities.

22 A. Right.

23 Q. Are any business decisions made at that
24 time? Well, I want this done or I want that
25 done?

1 A. Yes. For example, one time when we
2 were there we drove around and looked at
3 potential lease sites for the retail center that
4 was eventually built. Another time when we were
5 there we actually inspected the lease site that
6 was located and that he was considering signing
7 the lease for and building the retail center. So
8 he conducted those activities.

9 We've also driven the area to look at
10 areas where new cell sites were proposed, those
11 types of things.

12 Q. Now, has Mr. Thompson ever been denied
13 access to any of the Atlantic City facilities?

14 A. No.

15 Q. Now, you described the facilities
16 before, these rooms with blinking lights. Would
17 it be safe to say the system is essentially
18 totally automated? Would you characterize it as
19 that?

20 A. Yes.

21 Q. And a typical cell site, then, would
22 consist of perhaps a tower with an antenna on it
23 and a room or a shed or something with equipment
24 in it and this would be locked, is that correct?

25 A. That's correct.

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1 Q. It would be unattended?

2 A. An unattended base station, correct.

3 Q. And again, it's unattended because it
4 doesn't require anybody there to operate this
5 equipment?

6 A. Right. It has mostly electrical
7 equipment that is operating on its own.

8 Q. And it's locked because it's
9 unattended?

10 A. Correct.

11 Q. I understand there was a sales office
12 or some type of office in Atlantic City, is that
13 correct?

14 A. Right, the retail center.

15 Q. Now, I presume the personnel located at
16 that retail center are either clerical or sales
17 or perhaps some technical help, is that correct?

18 A. Yes. There are installers who install
19 phones in cars and I believe they do some repair
20 work on phones as well. But then there are
21 clerical people there, there is retail sales
22 staff and then there is the outside sales force
23 and a manager.

24 Q. Would this be a sales manager or a
25 general manager?

1 A. I think a general manager.

2 Q. Would the general manager be the
3 ranking employee at the facility?

4 A. Yes, he would be.

5 Q. Now, does he have an office at the
6 facility or is his office somewhere else?

7 A. His office is at the retail center.

8 Q. Would you say that the general
9 manager's access and use of the facilities is
10 unrestricted?

11 A. Yes. I mean, he couldn't just --

12 Q. He could feel free to go to these
13 different locked rooms and open it up and see
14 what's happening?

15 A. Well, I don't know that he would
16 necessarily have the keys to those facilities as
17 opposed to an engineering person. I frankly
18 don't know whether he has those keys or not or if
19 it's some other engineering manager because his
20 functions don't relate to engineering. They
21 relate more to marketing.

22 Q. What I'm trying to get to is
23 Mr. Thompson's access and use of the facilities
24 is at least as broad as the general manager's, is
25 that correct?

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1 A. Yes.

2 Q. And probably even broader?

3 A. His is broader because he would have
4 the authority to deny access to anyone, whereas
5 no one has the authority to deny him access.

6 Q. Would you characterize his use of the
7 facilities as being unfettered, then?

8 A. Yes, I would.

9 MR. REIDELER: I have no more questions
10 in this area.

11 MR. WEBER: Just one.

12 EXAMINATION BY COUNSEL FOR
13 FEDERAL COMMUNICATIONS COMMISSION

14 BY MR. WEBER:

15 Q. The general manager at the Atlantic
16 City sales or retail center, would you say his
17 authority is more with marketing than it is with
18 general operations?

19 A. Yes, I would.

20 Q. He is not somebody who actually makes
21 decisions or recommendations, say, to build a new
22 cell or anything along those lines?

23 A. No.

24 Q. Is there anyone in Atlantic City who is
25 at the retail center in Atlantic City who does

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1 have that type of jurisdiction to work more of
2 operational type of function?

3 A. Their functions are operational from
4 the standpoint that they're engaged in marketing
5 and that's a big part of operations.

6 Q. Anybody there who does system design or
7 determines rates?

8 A. No, no.

9 MR. WEBER: That's all.

10 EXAMINATION BY COUNSEL

11 FOR FEDERAL COMMUNICATIONS COMMISSION

12 BY MR. REIDELER:

13 Q. I would like to go into the day-to-day
14 operations of the facilities.

15 A. Okay.

16 Q. Have you ever recommended to
17 Mr. Thompson that he should move to Atlantic City
18 so he could be closer to the facilities so he
19 could have more of a hands-on role in the
20 day-to-day operation of the facilities?

21 A. I have not recommended that.

22 Q. Do you have any idea why he decided to
23 stay on the West Coast?

24 A. Well, he lives there and I think he
25 prefers to live there. He has mentioned to me

1 that perhaps he should have an office in Atlantic
2 City but I didn't see why that was necessary.

3 Q. So you advised him that it probably was
4 not --

5 A. I advised him that I didn't think it
6 was legally or practically necessary for him to
7 do that, that he could accomplish everything he
8 needs to accomplish where he lives in Washington.

9 Q. Now, I presume that Mr. Thompson's
10 decision to have his system managed by Amcell was
11 based on your advice, is that correct?

12 A. Yes, in large part.

13 Q. Do you know how Mr. Thompson keeps
14 abreast of the day-to-day operations?

15 A. He keeps abreast of the day-to-day
16 operations by virtue of receiving monthly and
17 quarterly financial statements that demonstrate
18 the system's operations, by receiving checks on a
19 weekly basis to review and sign if he approves of
20 them and by dealing with the various issues and
21 correspondence that come up on a daily or weekly
22 basis from Comcast that frequently are sent to me
23 and then he and I sit down and review those
24 issues and he makes decisions regarding them or
25 we call Comcast personnel and ask questions and

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1 determine the basis for any recommendations that
2 they have or approvals that they seek.

3 Q. Is it your experience that the
4 day-to-day functions performed at the Atlantic
5 City facility are pretty much administerial in
6 nature?

7 A. Yes.

8 Q. Suppose there is a daily routine that's
9 set up.

10 A. Yes.

11 Q. Suppose Amcell wanted to change the
12 daily routine. Would Mr. Thompson's approval be
13 required of that?

14 A. Change their daily routine? I don't
15 think his approval would be required to change
16 routine items.

17 Q. Would he be advised, do you think, of
18 the changes?

19 A. Yes.

20 Q. And he would have the authority to
21 negate that if he so wished?

22 A. If he so wished. I think he could
23 certainly direct them how he would want them to
24 perform the daily routine.

25 Q. Do you know if there have been any such

1 changes in routine in the past?

2 A. I don't recall offhand.

3 Q. On those occasions that Mr. Thompson
4 does visit the Atlantic City facilities, do
5 employees at the facilities know who he is?

6 A. Generally they do.

7 Q. Are they aware that he's the big boss?

8 A. Yes.

9 Q. Do you know if station personnel are
10 officially made aware that Mr. Thompson is, in
11 fact, the controlling party in this organization?

12 A. Yes.

13 Q. It is an official policy that you're
14 aware of?

15 A. Yes, it is.

16 Q. Now, suppose Mr. Thompson were at the
17 facilities and he asked an employee there to do
18 something, something that was within the scope of
19 the employee's job category, would the employee
20 perform that task or would the employee need
21 prior authority from Amcell?

22 A. The employees are Amcell's employees or
23 Comcast's employees and as Mr. Thompson's
24 attorney, I would advise him not to direct the
25 employees himself. I think he should work

1 through management and if he wants something
2 performed in a certain way, I would advise him to
3 deal with the management people at Comcast with
4 whom we deal on a regular basis and have them
5 deal with their own employment issues as he
6 instructs them but I think it's more appropriate
7 for him to go through those channels.

8 Q. So this type of occasion hasn't arisen,
9 then?

10 A. No.

11 MR. REIDELER: I have no further
12 questions.

13 EXAMINATION BY COUNSEL FOR
14 FEDERAL COMMUNICATIONS COMMISSION
15 BY MR. WEBER:

16 Q. Is there one person at Comcast that the
17 management agreement gives the most authority
18 over administrative day-to-day operations?

19 A. Well, I don't know that the agreement
20 itself gives one particular person the most
21 authority. I would say that most of the
22 administrative day-to-day operations are handled
23 through the administrative functions that are
24 performed at Wilmington and the manager there
25 certainly has the most input over those

1 functions.

2 Q. And who is the manager in Wilmington?

3 A. John Moerman.

4 Q. How often would you say you're in
5 contact with Mr. Moerman?

6 A. It varies but I would say probably
7 monthly.

8 Q. What type of authority, if any, does
9 Anna Hillman have over the day-to-day operations
10 of the Atlantic City system?

11 A. I would say that she has, from a
12 practical standpoint, she has the most authority,
13 if you will, because all functions and all
14 operations in one fashion or another affect the
15 budget and she's in charge of the financial and
16 budgetary aspects of the system. And that's, to
17 a large degree, how Mr. Thompson exercises his
18 control and supervision over the system. And so
19 all decisions in some fashion or another will be
20 funneled through the budget and that's where her
21 involvement comes in.

22 Q. How often would you say you're in
23 contact with Ms. Hillman?

24 A. Again, it varies but I would say
25 monthly.

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1 Q. Is there any person at Comcast you are
2 in contact with more often than you are
3 Ms. Hillman?

4 A. In the recent years I tend to work
5 through Jeff Smith at Comcast and he's their
6 in-house legal counsel and the litigation has
7 been more active in recent years and I felt it
8 more appropriate to deal through him on various
9 issues.

10 Q. Is the contact with Mr. Smith solely
11 related to the litigation?

12 A. No, it relates to business issues as
13 well.

14 Q. How often would you say you discuss
15 business issues with Mr. Smith?

16 A. Weekly or every other week.

17 MR. WEBER: That's all the questions I
18 have.

19 EXAMINATION BY COUNSEL

20 FOR FEDERAL COMMUNICATIONS COMMISSION

21 BY MR. REIDELER:

22 Q. I would like to touch on Mr. Thompson's
23 personnel responsibilities now, if we might.
24 Does Ellis Thompson Corporation have any
25 employees?

1 A. Mr. Thompson is the president and
2 secretary of Ellis Thompson Corporation and he is
3 the sole employee of Ellis Thompson Corporation.

4 Q. So there are no Ellis Thompson
5 employees at the Atlantic City facilities?

6 A. No.

7 Q. These are exclusively Amcell or
8 Comcast?

9 A. Right.

10 Q. I think he perhaps asked you this
11 already but let's perhaps go over it one more
12 time. Does Mr. Thompson exercise any control
13 over Comcast or Amcell employees?

14 A. He does not direct them on a day-to-day
15 basis on how to do their jobs.

16 Q. Suppose that Mr. Thompson were
17 dissatisfied with any of the professional staff
18 at the Atlantic City facilities. What recourse
19 would he have?

20 A. I think simply to complain to Comcast
21 management.

22 Q. And would this be the same with regard
23 to sales or support staff?

24 A. Yes.

25 Q. What if Mr. Thompson wanted a specific

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1 person hired. Would he need Comcast approval?

2 A. Yes, he would, unless he decided to
3 hire that person through Ellis Thompson
4 Corporation. Initially when the management
5 relationship was set up, a decision was made as
6 to whether employees should be Ellis Thompson
7 Corporation employees or whether they should be
8 Comcast/Amcell employees and the decision was
9 made by Mr. Thompson at that time that he
10 preferred for all employees to be Comcast
11 employees and he would essentially bear the costs
12 of that on a reimbursement basis. So that was
13 his initial decision regarding employees. He
14 could always, I suppose, decide to hire somebody
15 through Ellis Thompson Corporation.

16 Q. Is his approval ever required if
17 Comcast, say, appoints, reassigns or fires any of
18 its personnel at the Atlantic City facilities?

19 A. No.

20 Q. As a matter of courtesy, is he usually
21 consulted before anything has happened?

22 A. As a matter of courtesy, he is
23 consulted or advised. There have been several
24 presidents of Comcast cellular, for example, and
25 there have been situations, for example, where we

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1 shut down the office in Atlantic City and those
2 people were let go, there was severance pay that
3 was paid to those people. And again, there is a
4 decision, an operational decision, that had an
5 effect on the budget so he was consulted
6 regarding payment of the severance pay. And as a
7 courtesy -- that wasn't really a courtesy because
8 he also made the decision to close that office so
9 he knew those people would be let go. But there
10 are other times when he's consulted or advised
11 that particular individuals are leaving the
12 company for one reason or another.

13 Q. How about if someone is going to be
14 appointed, will he say Jeff, I'm proposing to put
15 X in at this position, what do you think about
16 that? Is he presented with situations like
17 this? Not Jeff, I mean Mr. Thompson.

18 A. I just don't recall whether that's
19 happened.

20 MR. REIDELER: I have no further
21 questions in this area, Joe. Do you?

22 MR. WEBER: Yes.

23 EXAMINATION BY COUNSEL FOR
24 FEDERAL COMMUNICATIONS COMMISSION

25 BY MR. WEBER:

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